

**FINANCIAL REPORT
POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
POSEN, MICHIGAN
June 30, 2008**

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
FINANCIAL REPORT
Year Ended June 30, 2008

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October 23, 2008

Independent Auditors' Report

Superintendent and Board of Education
Posen Consolidated School District No. 9
Posen, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Posen Consolidated School District No. 9, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Posen Consolidated School District No. 9, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of Posen Consolidated School District No. 9's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Posen Consolidated School District No. 9
Posen, Michigan

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Posen Consolidated School District No. 9's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hill Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Potoskey, Michigan

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Management's Discussion and Analysis

Overview of the Basic Financial Statements

Posen Consolidated School District No. 9's (the District's) basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the District's nonfiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the District's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net costs of the various functions within the School (instruction, support services, etc.), which are supported by the School's general revenues (property taxes, unrestricted state aid, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented separate from the governmental funds, due to the fact that these assets do not represent assets of the District. These assets are not presented as part of the government-wide financial statements.

Posen Consolidated School District No. 9 maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, and the 2005 Refunding Debt Service Funds, which are considered major funds. Data from the other three governmental funds are combined into a single, nonmajor governmental funds column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplemental Information section of the report.

MISSION STATEMENT

The mission of Posen Consolidated School is to promote skills for adapting to an ever changing environment, while encouraging responsible citizens and lifelong learners.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the District's net assets as of June 30, 2008 and 2007:

	2008	2007
Assets		
Current and other assets	\$ 1,257,038	\$ 1,177,585
Capital assets, net of accumulated depreciation	4,076,699	4,219,144
Deferred charges	62,218	67,004
Total assets	<u>5,395,955</u>	<u>5,463,733</u>
Liabilities		
Current liabilities	1,039,785	1,023,683
Noncurrent liabilities	<u>3,055,187</u>	<u>3,249,355</u>
Total liabilities	<u>4,094,972</u>	<u>4,273,038</u>
Net Assets		
Investment in capital assets, net of debt	858,071	739,421
Restricted	241,509	173,040
Unrestricted	<u>201,403</u>	<u>278,234</u>
Total net assets	<u>\$ 1,300,983</u>	<u>\$ 1,190,695</u>

At the end of the fiscal year, Posen Consolidated School District No. 9 is able to report positive balances in all three categories of net assets. As in 2007, the largest portion of the School's net assets is its investment in capital assets (land, buildings, equipment and vehicles), less any outstanding debt used to acquire those assets. The District uses these capital assets in providing educational services, consequently these assets are not available for future spending.

The second portion of net assets, restricted net assets, represents resources that are subject to spending restrictions by parties outside the District, such as creditors and grantors. The District's net assets are restricted for debt service.

The remaining portion of net assets, unrestricted net assets, may be used at the District's discretion to meet ongoing obligations.

The results for the District as a whole are reported in the Statement of Activities, which is summarized below:

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Year Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 67,682	\$ 82,721
Grants and contributions	323,540	372,785
Capital grants and contributions	23,610	-
General revenue:		
Property taxes	1,192,156	1,061,589
State aid, unrestricted	1,277,793	1,316,631
Interest and investment earnings	26,422	27,415
Other	16,228	22,099
	<u>2,927,431</u>	<u>2,883,240</u>
Function/Program Expenses		
Instruction	1,413,877	1,456,641
Support services	835,655	804,767
Athletics	105,526	126,140
Food services	135,968	106,988
Interest/fees on long-term debt	145,570	158,199
Depreciation (unallocated)	180,547	186,379
	<u>2,817,143</u>	<u>2,839,114</u>
 Change in net assets	 110,288	 44,126
 Net assets - beginning of year	 <u>1,190,695</u>	 <u>1,146,569</u>
 Net assets - end of year	 <u><u>\$ 1,300,983</u></u>	 <u><u>\$ 1,190,695</u></u>

As reported above, the District recorded \$2,817,143 of program expenses. These expenses were funded minimally by charges for services. The majority of the District's revenues were from unrestricted state aid (43%), property taxes (40%), and grants and contributions (11%).

The District experienced an increase in net assets primarily due to cutting programs and expenses where possible.

Fund Financial Analysis

As of year-end, the governmental funds reported a combined fund balance of \$504,902, which is approximately \$114,543 higher than the beginning of the year. The increase is due primarily from cutting costs.

General Fund Budgetary Highlights

Final budgeted revenues were increased from original budgeted amounts due to more than anticipated local and federal revenues.

Final budgeted expenditures were higher than original budgeted expenditures due to increased costs of utilities, fuel and health insurance.

Final expenditures were lower than final budgeted amounts by approximately \$31,000. This is mainly due to careful budgeting practices implemented throughout the year by the District.

Capital Assets

At June 30, 2008, the District had \$7.8 million invested in capital assets. The following table summarizes the capital asset activity for the year:

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9

Year Ended June 30, 2008

	July 1, 2007	Additions	Disposals	June 30, 2008
Land and improvements	\$ 698,485	\$ -	\$ -	\$ 698,485
Buildings and improvements	6,234,467	-	-	6,234,467
Furniture and equipment	520,428	38,101	-	558,529
Vehicles	347,733	-	-	347,733
Total capital assets	7,801,113	38,101	-	7,839,214
Less accumulated depreciation	(3,581,969)	(180,546)	-	(3,762,515)
Net capital assets	\$ 4,219,144	\$ (142,445)	\$ -	\$ 4,076,699

Economic Factors

Posen Consolidated School District #9 has had declining enrollment for many years, however, in the current year the enrollment is up slightly. The District's operating revenue is based on student enrollment as well as the amount of funding per student. The student enrollment currently is 268.

The 2007-2008 school year state aid funding was \$7,204 per student enrolled. In addition, categorical funding had also been reduced. The Title programs funding has been cut by about 10% this year.

In the current year, the revenue increased but costs have continued to increase as well. The increase of 2% in health insurance for the teaching staff and support staff, an increase in the natural gas, electricity, and bus fuel are other examples of increased costs.

Posen Consolidated School District has had to utilize its operating fund balance for the last four years to continue to operate and meet expenditures. The Art and Band programs have been dropped from the curriculum. Split classrooms (combination rooms) were implemented for three elementary grades. A portion of the current general fund balance of approximately \$238,210 will be utilized in the upcoming year to help offset the items noted above.

Financial Contact

The District's financial statements are designed to present users with a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Business Office, Posen Consolidated School District No. 9.

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Statement of Net Assets
June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 361,966
Investments	620,169
Due from other governmental units	<u>274,903</u>
Total current assets	<u>1,257,038</u>
Noncurrent Assets	
Capital assets	7,839,214
Less: accumulated depreciation	<u>(3,762,515)</u>
Total capital assets	4,076,699
Deferred charges	<u>62,218</u>
Total noncurrent assets	<u>4,138,917</u>
Total assets	<u><u>\$ 5,395,955</u></u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	\$ 22,913
Accrued interest payable	61,310
Accrued taxes abated	45,298
State aid notes payable	500,000
Bonds payable, due within one year	199,441
Accrued expenses	87,236
Salaries payable	<u>123,587</u>
Total current liabilities	<u>1,039,785</u>
Noncurrent Liabilities	
Bonds payable, net	3,019,187
Retirement allowance payable	<u>36,000</u>
Total noncurrent liabilities	<u>3,055,187</u>
Total liabilities	<u>4,094,972</u>
Net Assets	
Investment in capital assets, net of related debt	858,071
Restricted for debt service	241,509
Unrestricted	<u>201,403</u>
Total net assets	<u>1,300,983</u>
Total liabilities and net assets	<u><u>\$ 5,395,955</u></u>

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9

Statement of Activities

Year Ended June 30, 2008

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities:				
Instruction	\$ 1,413,877	\$ -	\$ 174,665	\$ 23,610
Support services	835,655	-	38,757	-
Athletics	105,526	24,809	30,780	-
Food services	135,968	42,873	79,338	-
Interest/fees on long-term debt	145,570	-	-	-
Depreciation (unallocated)	180,547	-	-	-
Total governmental activities	\$ 2,817,143	\$ 67,682	\$ 323,540	\$ 23,610

General revenues:

Taxes:

Property taxes, levied for general purposes
Property taxes, levied for debt services
State aid, unrestricted
Interest and investment earnings
Other

819,525
372,631
1,277,793
26,422
16,228

Total general revenues

2,512,599

Change in net assets

110,288

Net assets - beginning of year

1,190,695

Net assets - end of year

\$ 1,300,983

See accompanying notes to the basic financial statements.

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9

Governmental Funds

Balance Sheet

June 30, 2008

	<u>General</u>	<u>2005 Refunding Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 88,649	\$ 241,509	\$ 31,808	\$ 361,966
Investments	620,169	-	-	620,169
Due from other governmental units	<u>273,748</u>	<u>-</u>	<u>1,155</u>	<u>274,903</u>
Total assets	<u><u>\$ 982,566</u></u>	<u><u>\$ 241,509</u></u>	<u><u>\$ 32,963</u></u>	<u><u>\$ 1,257,038</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 22,913	\$ -	\$ -	\$ 22,913
Interest payable	18,400	-	-	18,400
State aid notes payable	500,000	-	-	500,000
Accrued expenditures	81,294	-	5,942	87,236
Salaries payable	<u>121,749</u>	<u>-</u>	<u>1,838</u>	<u>123,587</u>
Total liabilities	<u>744,356</u>	<u>-</u>	<u>7,780</u>	<u>752,136</u>
Fund Balances:				
Reserved for debt service	-	241,509	-	241,509
Unreserved:				
Undesignated	<u>238,210</u>	<u>-</u>	<u>25,183</u>	<u>263,393</u>
Total fund balances	<u>238,210</u>	<u>241,509</u>	<u>25,183</u>	<u>504,902</u>
Total liabilities and fund balances	<u><u>\$ 982,566</u></u>	<u><u>\$ 241,509</u></u>	<u><u>\$ 32,963</u></u>	<u><u>\$ 1,257,038</u></u>

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 504,902
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet.

Cost of capital assets	7,839,214
Accumulated depreciation	(3,762,515)

Interest is accrued on outstanding long-term bonds in governmental activities, whereas in governmental funds, an interest expenditure is reported when due.	(42,910)
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Bond issuance costs are recorded in governmental activities as a deferred charge, whereas in governmental funds, the costs are reported as expenditures when paid.	62,218
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Long-term liabilities are not due and payable in the current period
and are not reported in the governmental funds balance sheet.

Bonds payable, net	(3,218,628)
Retirement allowances	(36,000)
Taxes abated	<u>(45,298)</u>

Total net assets - governmental activities	<u><u>\$ 1,300,983</u></u>
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POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2008

	General	2005 Refunding Debt Service	Other Nonmajor Governmental Funds	Total
Revenues				
Local sources	\$ 849,214	\$ 380,707	\$ 98,535	\$ 1,328,456
State sources	1,373,083	-	5,591	1,378,674
Federal sources	107,797	-	73,747	181,544
Interdistrict and other sources	38,757	-	-	38,757
	<u>2,368,851</u>	<u>380,707</u>	<u>177,873</u>	<u>2,927,431</u>
Total revenues				
	<u>2,368,851</u>	<u>380,707</u>	<u>177,873</u>	<u>2,927,431</u>
Expenditures				
Current:				
Instruction	1,413,877	-	-	1,413,877
Support services	790,357	-	-	790,357
Athletics	-	-	105,526	105,526
Food Service	-	-	135,968	135,968
Other	3,242	-	-	3,242
Debt service:				
Principal	11,443	180,000	-	191,443
Interest/fees	2,136	132,238	-	134,374
Capital Outlay	33,775	-	4,326	38,101
	<u>2,254,830</u>	<u>312,238</u>	<u>245,820</u>	<u>2,812,888</u>
Total expenditures				
	<u>2,254,830</u>	<u>312,238</u>	<u>245,820</u>	<u>2,812,888</u>
Excess (deficiency) of revenues over expenditures	<u>114,021</u>	<u>68,469</u>	<u>(67,947)</u>	<u>114,543</u>
Other financing sources (uses)				
Operating transfers in	-	-	61,943	61,943
Operating transfers out	(61,943)	-	-	(61,943)
	<u>(61,943)</u>	<u>-</u>	<u>61,943</u>	<u>-</u>
Total other financing sources (uses)				
	<u>(61,943)</u>	<u>-</u>	<u>61,943</u>	<u>-</u>
Net change in fund balances	52,078	68,469	(6,004)	114,543
Fund balances - beginning of year	186,132	173,040	31,187	390,359
Fund balances - end of year	<u>\$ 238,210</u>	<u>\$ 241,509</u>	<u>\$ 25,183</u>	<u>\$ 504,902</u>

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 114,543
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense:

Capital Outlay	38,101
Depreciation expense	(180,547)

Repayment of long-term debt is an expenditure in the governmental
funds, but the repayments reduce long-term liabilities in the
statement of net assets:

Bonds	191,964
Amortization of bond premium	(1,962)

Proceeds from the note payable are reported as other financing
sources in the governmental funds. In the Statement of Net Assets,
these amounts increase a long-term liability. Discounts, premiums,
losses and issuance costs are allocated over the remaining lives of
the long-term debt. This amount represents the net effect of issuing
notes payable and the current year amortization.

(8,097)

Interest on long-term debt in the statement of activities differs
from the amount reported in the governmental funds because
interest is recognized as an expenditure in the funds when it is
due, and thus requires the use of current financial resources. In
the statement of activities, however, interest expense is recognized
as the interest accrues, regardless of when it is due.

1,584

Some expenses in the statement of activities do not require
the use of current financial resources and, therefore, are not
reported as expenditures in the governmental funds.

Taxes abated	(45,298)
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Change in net assets - governmental activities	\$ 110,288
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POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Student Activities Agency Fund</u>
Assets	
Cash	<u>\$ 24,813</u>
Liabilities	
Due to student groups	<u>\$ 24,813</u>

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Posen Consolidated School District No. 9 (the "School District") operates under a Board-Superintendent form of government and provides education services to its residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the School District:

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS No. 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the School District and included in the School District's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The School District has no component units.

Basic Financial Statements – Overview

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's activities are considered governmental activities.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. These statements are reported using the economic resources measurement focus and the full accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The government-wide focus is more on operational efficiency, the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements - Continued

The government-wide Statement of Activities, due to the full accrual, economic resource basis, records revenue when it is earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted state aid and other items not properly included among program revenues are reported as general revenue. Any net costs, by function, are allocated to the general revenue.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The emphasis in the fund financial statements is on the major funds in the governmental activities category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds. The School District's major funds, as described below, are the General and 2005 Refunding Debt Service Funds. Nonmajor funds by category are summarized into a single column.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred. The exceptions to this general rule are principal and interest on general obligation long-term debt, compensated absences, claims and judgments, and retirement allowances, which are recognized when due.

The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

Governmental Funds - Continued

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. The General Fund is a major fund of the School District.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds – The School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Cafeteria and Athletics Funds.

Debt Service Funds – The Debt Service Funds are used to record tax and interest revenue and the payment of interest, principal and other expenditures on long-term bonded debt. The Debt Service Funds maintained by the School District are the 2005 Refunding and the Durant Non-Plaintiff Fund.

Capital Project Funds – The Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. These funds are kept open until the purpose for which they were created has been accomplished. The School District does not maintain a Capital Project Fund at this time.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee or agency capacity for others and therefore are not available to support School District programs. Since these funds cannot be used to address activities or obligations of the School District, these funds are not incorporated into the government-wide statements. Fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. The following agency fund is presented in the Statement of Fiduciary Net Assets:

Student Activities Agency Fund – The School District presently maintains a Student Activities Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held by the School District for the students.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other accounts that have the general characteristics of demand deposits.

Investments

Investments are stated at fair market value.

Capital Assets

Capital assets, which include land, buildings, equipment and vehicles, are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are defined by the School District as assets that are purchased or acquired with an original cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements and other capital outlay that significantly extend the useful life of an asset, or increase its capacity or efficiency, are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land and improvements	10-20 years
Buildings and improvements	20-50 years
Furniture and other equipment	5-25 years

Retirement Allowance

Under contracts negotiated with employee groups, individual employees may have a vested right to receive payments for a retirement allowance calculated using formulae and conditions specified in the contracts. This amount is reported in the government-wide financial statements and represents a reconciling item between the government-wide and fund presentations.

Compensated Absences

Accumulated unpaid sick and vacation pay is not accrued by the School District. Employees are limited to the number of sick and vacation days they may accumulate. Sick and vacation days do not vest to the employee and are not payable upon termination, except when used to determine retirement allowance.

Comparative Data

Comparative total data for the prior year is not included in the School District's financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 2: BUDGETING/COMPLIANCE

The School District is required under Public Act 621 to adopt a budget for the General and Special Revenue Funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for these funds. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. All annual appropriations lapse at year-end.

The presentation of budgetary information is required for the General Fund and all major Special Revenue Funds. (The School District does not have any major Special Revenue Funds). In the required supplemental information section, the School District's actual and budgeted expenditures for the General Fund are presented.

NOTE 3: DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of the School District's deposits for both governmental activities and fiduciary funds was \$386,779 and the bank balance was \$427,862. Of the bank balance, \$107,383 was covered by federal depository insurance. The remaining \$320,479 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

Investments

Credit Risk – As of June 30, 2008, the School District's investment in the Michigan Liquid Asset Fund investment pool of \$620,169 was rated AAAM by Standard & Poor's.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31.

Property taxes are recognized as revenue in the fiscal year they are levied. The Michigan School Accounting Manual requires property taxes receivable be written off in the current year if not received within 60 days of the end of the previous year. This applies to both the government-wide (full accrual) and the fund (modified accrual) financial statements. There is no significant departure from the full accrual basis of accounting using this method.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 4: PROPERTY TAXES – CONTINUED

The 2007 State taxable valuation of non-homestead property as of May 23, 2007 for Posen Consolidated School District No. 9 totaled \$45,156,013, on which taxes levied consisted of 18.000 mills for operating purposes. The total taxable valuation of the School District as of May 1, 2008 was \$95,586,576, on which taxes levied consisted of 3.85 mills for debt retirement. These amounts are recognized in the respective General and 2005 Debt Service Funds.

Classification of assessed property between homestead vs. non-homestead is subject to change. In addition, Michigan Tax Tribunal and Board of Review changes throughout the year affect the total taxable valuation.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 2,485	\$ -	\$ -	\$ 2,485
Capital assets being depreciated:				
Land improvements	696,000	-	-	696,000
Buildings and improvements	6,234,467	-	-	6,234,467
Furniture and equipment	520,428	38,101	-	558,529
Vehicles	347,733	-	-	347,733
Subtotal	7,798,628	38,101	-	7,836,729
Accumulated depreciation:				
Land improvements	(382,800)	(34,900)	-	(417,600)
Buildings and improvements	(2,570,358)	(111,737)	-	(2,682,095)
Furniture and equipment	(329,057)	(26,532)	-	(355,589)
Vehicles	(299,754)	(7,477)	-	(307,231)
Subtotal	(3,581,969)	(180,546)	-	(3,762,515)
Net capital assets being depreciated	4,216,659	(142,445)	-	4,074,214
Governmental activities net capital assets	<u>\$ 4,219,144</u>	<u>\$ (142,445)</u>	<u>\$ -</u>	<u>\$ 4,076,699</u>

Governmental activities depreciation expense was charged as follows:

Unallocated \$ 180,547

NOTE 6: INTERFUND TRANSFERS

Interfund transfers consist of the following:

The General Fund made transfers in the amount of \$10,000 and \$51,943 to the Athletic and Cafeteria Funds, respectively. The General Fund makes transfers on a yearly basis to support these funds.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 7: SHORT-TERM DEBT – STATE AID NOTES

The School issues State aid notes in advance of State aid receipts, depositing the proceeds in the General Fund. This note is necessary due to reduced funding and because a State aid payment is not received in September.

Short-term debt activity for the year ended June 30, 2008, excluding interest expense of \$18,400, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
State aid note	<u>\$ 525,000</u>	<u>\$ 500,000</u>	<u>\$ 525,000</u>	<u>\$500,000</u>

NOTE 8: LONG-TERM DEBT

The following is a summary of the School District's governmental activities long-term debt transactions for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable:					
General obligation debt	\$ 3,405,000	\$ -	\$ (180,000)	\$ 3,225,000	\$ 185,000
Bond premium	27,464	-	(1,962)	25,502	-
Refunding deferral	(101,283)	-	7,235	(94,048)	-
Bus note	47,855	-	(11,964)	35,891	11,964
Durant resolution debt	26,233	-	-	26,233	2,477
Taxes abated	-	56,623	(11,325)	45,298	-
Total debt	<u>\$ 3,405,319</u>	<u>\$ 56,623</u>	<u>\$ (198,016)</u>	<u>\$ 3,263,926</u>	<u>\$ 199,441</u>
Other liabilities:					
Retirement severance	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 3,441,319</u>	<u>\$ 56,623</u>	<u>\$ (198,016)</u>	<u>\$ 3,299,926</u>	<u>\$ 199,441</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: LONG-TERM DEBT – CONTINUED

Long-term debt payable at June 30, 2008, is comprised of the following individual instruments:

General Obligation Bonds:

2005 Refunding Bonds due in annual installments of \$175,000 to \$260,000 through May 1, 2022; interest at 3.00% to 4.35%.	\$3,225,000
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Durant Resolution Bond:

1998 Series School improvement bond due in annual installments of \$2,257 to \$15,380 through May 15, 2013; interest at 4.76%. This bond is a self-liquidating bond. It is payable both as to principal and interest, solely from an annual appropriation by the State of Michigan. If the legislature fails to appropriate the funds, the District is under no obligation for payment.	26,283
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Note Payable:

Bus note payable due in annual installments of \$11,964 through November 1, 2010; interest at 4.375%	35,891
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Taxes Abated:

Taxes abated payable due in annual installments of \$11,325 through February 2012 interest at 0%.	<u>45,298</u>
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Total bonds and notes payable	3,332,472
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Retirement Severance:

Upon retirement, the District's certified employees who have between fifteen and twenty-nine years of continuous service in the Posen Consolidated School District may be eligible for either a severance allowance or other retirement incentive.	<u>36,000</u>
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Total governmental activities long-term liabilities	<u>\$3,368,472</u>
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NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: LONG-TERM DEBT – CONTINUED

The annual requirements to amortize all governmental bond and note payable obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 210,766	\$ 128,730	\$ 339,496
2010	215,884	123,060	338,944
2011	238,668	121,977	360,645
2012	219,171	108,018	327,189
2013	212,983	99,682	312,665
2014-2018	1,195,000	364,910	1,559,910
2019-2022	1,040,000	111,280	1,151,280
	<u>\$ 3,332,472</u>	<u>\$ 1,057,657</u>	<u>\$ 4,390,129</u>

Bond payments, including interest, are made from the Debt Service Funds. There are limitations and restrictions contained in the various bond indentures. The District is in compliance with all significant limitations and restrictions. The retirement severance liability will be liquidated primarily by the General Fund.

NOTE 9: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

Posen Consolidated School District No. 9 contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple employer, statewide public employee retirement plan governed by the State of Michigan and created in 1915. MPERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits to the State's public school employees. MPERS now operates under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517) 322-5103.

Prior to January 1, 1990, MPERS provided a choice of two retirement plans, the Basic Plan, which required no employee contribution and the Member Investment Plan (MIP). For members hired on January 1, 1990 or after, membership in MIP is mandatory. MIP members are required to contribute 3 to 4.3 percent of their annual covered salary and Posen Consolidated School District No. 9 is required to contribute at an actuarially determined rate. The current rate is 16.72% of annual covered payroll, of which approximately 6.55% is for other post employment benefits (see below). The contribution requirements of plan members and Posen Consolidated School District No. 9 are established and may be amended by the MPERS Board.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS – CONTINUED

The School District's contribution to MPSERS for the years ending June 30, 2008, 2007 and 2006 were \$212,363, \$213,763 and \$182,960 respectively, equal to the required contributions for each year.

Other post employment benefits

Also under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis. Retirees having these coverage's contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for health, dental and vision coverage's. The number of plan participants and other relevant financial information consisted of the following at June 30, 2007, the date of the latest actuarial valuation.

Eligible retired participants	\$162,844
Participants receiving benefits:	
Health	121,804
Dental/Vision	129,771
Expenses for the year	\$653,572,464
Payroll contribution rate	6.55%

NOTE 10: RESERVES AND DESIGNATIONS OF FUND BALANCES

Major Governmental Funds

Debt Service Fund – The Debt Service Fund's reserved fund balance represents resources legally restricted for the payment of principal and interest amounts maturing in future years.

NOTE 11: RISK MANAGEMENT

The School District carries commercial insurance for risks of loss, including property and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District also belongs to the SEG Self-Insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the state. The School District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. Although the School District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

REQUIRED SUPPLEMENTAL INFORMATION

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues				
Local sources	\$ 842,000	\$ 855,910	\$ 849,214	\$ (6,696)
State sources	1,316,010	1,316,130	1,373,083	56,953
Federal sources	134,399	144,228	107,797	(36,431)
Interdistrict and other sources	37,124	38,737	38,757	20
Total revenues	<u>2,329,533</u>	<u>2,355,005</u>	<u>2,368,851</u>	<u>13,846</u>
Expenditures				
Current:				
Instruction:				
Basic programs	1,197,967	1,225,384	1,219,386	(5,998)
Added needs	216,715	214,402	205,934	(8,468)
Support services:				
Pupil	1,000	500	419	(81)
Instructional staff	3,800	3,800	2,622	(1,178)
General administration	165,904	169,741	165,617	(4,124)
School administration	101,314	93,563	93,355	(208)
Business services	87,511	97,847	98,365	518
Operation and maintenance	258,951	271,788	261,208	(10,580)
Pupil transportation services	173,900	174,021	170,907	(3,114)
Intergovernmental payments	6,000	5,242	3,242	(2,000)
Capital Outlay	30,000	30,000	33,775	3,775
Total expenditures	<u>2,243,062</u>	<u>2,286,288</u>	<u>2,254,830</u>	<u>(31,458)</u>
Excess (deficiency) of revenues over expenditures	<u>86,471</u>	<u>68,717</u>	<u>114,021</u>	<u>45,304</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(74,000)	(62,000)	(61,943)	57
Total other financing sources (uses)	<u>(74,000)</u>	<u>(62,000)</u>	<u>(61,943)</u>	<u>57</u>
Net change in fund balance	12,471	6,717	52,078	45,361
Fund balance - beginning of year	<u>127,277</u>	<u>192,849</u>	<u>186,132</u>	<u>(6,717)</u>
Fund balance - end of year	<u>\$ 139,748</u>	<u>\$ 199,566</u>	<u>\$ 238,210</u>	<u>\$ 38,644</u>

OTHER SUPPLEMENTAL INFORMATION

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds		Debt Service Fund	
	Cafeteria	Athletics	Durant Non-Plaintiff	Total
<u>Assets</u>				
Cash	\$ 14,783	\$ 17,025	\$ -	\$ 31,808
Due from other governmental units	1,155	-	-	1,155
Total assets	<u>\$ 15,938</u>	<u>\$ 17,025</u>	<u>\$ -</u>	<u>\$ 32,963</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accrued expenditures	\$ 5,942	\$ -	\$ -	\$ 5,942
Salaries payable	1,838	-	-	1,838
Total liabilities	<u>7,780</u>	<u>-</u>	<u>-</u>	<u>7,780</u>
Fund balances:				
Unreserved:				
Undesignated	<u>8,158</u>	<u>17,025</u>	<u>-</u>	<u>25,183</u>
Total fund balances	<u>8,158</u>	<u>17,025</u>	<u>-</u>	<u>25,183</u>
Total liabilities and fund balances	<u>\$ 15,938</u>	<u>\$ 17,025</u>	<u>\$ -</u>	<u>\$ 32,963</u>

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Special Revenue Funds		Debt Service Fund	
	Cafeteria	Athletics	Durant Non-Plaintiff	Total
Revenues				
Local sources	\$ 42,946	\$ 55,589	\$ -	\$ 98,535
State sources	5,591	-	-	5,591
Federal sources	73,747	-	-	73,747
Total revenues	122,284	55,589	-	177,873
Expenditures				
Current:				
Athletics	-	105,526	-	105,526
Food Service	135,968	-	-	135,968
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	4,326	-	-	4,326
Total expenditures	140,294	105,526	-	245,820
Excess (deficiency) of revenues over expenditures	(18,010)	(49,937)	-	(67,947)
Other financing sources (uses)				
Operating transfers in	10,000	51,943	-	61,943
Operating transfers (out)	-	-	-	-
Total other financing sources	10,000	51,943	-	61,943
Net change in fund balances	(8,010)	2,006	-	(6,004)
Fund balances - beginning of year	16,168	15,019	-	31,187
Fund balances - end of year	\$ 8,158	\$ 17,025	\$ -	\$ 25,183

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Other Supplemental Information
Statement of Receipts and Disbursements
Fiduciary Fund
Year Ended June 30, 2008

	Balance July 1, 2007	2007-2008		Balance June 30, 2008
		Receipts	Disbursements	
Class of 2008	\$ 22,832	\$ 40,480	\$ 63,312	\$ -
Class of 2009	2,769	5,893	3,766	4,896
Class of 2010	4,819	9,994	8,059	6,754
Class of 2011	-	17,006	12,354	4,652
National Honor Society	97	616	440	273
Pep Club	2,133	13,722	12,180	3,675
Ski Club	470	1,512	1,575	407
Student Activities - Revolving	1,761	3,565	3,190	2,136
Student Council	2,868	9,623	10,471	2,020
Yearbook	-	6,911	6,911	-
	<u>\$ 37,749</u>	<u>\$ 109,322</u>	<u>\$ 122,258</u>	<u>\$ 24,813</u>
Total	<u>\$ 37,749</u>	<u>\$ 109,322</u>	<u>\$ 122,258</u>	<u>\$ 24,813</u>

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Other Supplemental Information
Schedule of Bonded Indebtedness
June 30, 2008

<u>TITLE:</u>	2005 Refunding Bonds	
<u>PURPOSE:</u>	To refund the 1996 Refunding Bonds	
<u>DATE OF AGREEMENT:</u>	February 05, 2005	
<u>RATE OF INTEREST:</u>	3.00% to 4.35%	
<u>ORIGINAL OBLIGATION:</u>		\$ 3,750,000
<u>AMOUNT PREVIOUSLY PAID:</u>		<u>525,000</u>
<u>BALANCE OUTSTANDING - JUNE 30, 2008:</u>		<u><u>\$ 3,225,000</u></u>

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>Principal</u>	<u>Annual Requirements</u>
2008-09	\$ 63,233	\$ 63,233	\$ 185,000	\$ 311,466
2009-10	60,457	60,457	190,000	310,914
2010-11	57,370	57,370	200,000	314,740
2011-12	53,870	53,870	205,000	312,740
2012-13	49,770	49,770	210,000	309,540
2013-14	45,570	45,570	220,000	311,140
2014-15	41,170	41,170	230,000	312,340
2015-16	36,570	36,570	240,000	313,140
2016-17	32,010	32,010	250,000	314,020
2017-18	27,135	27,135	255,000	309,270
2018-19	22,035	22,035	260,000	304,070
2019-20	16,705	16,705	260,000	293,410
2020-21	11,245	11,245	260,000	282,490
2021-22	5,655	5,655	260,000	271,310
	<u>\$ 522,795</u>	<u>\$ 522,795</u>	<u>\$ 3,225,000</u>	<u>\$ 4,270,590</u>

Call provision:

Bonds of this issue maturing in the years 2007 through 2015, inclusive, are not subject to optional redemption prior to maturity. The Bonds, or \$5,000 portions thereof, maturing on or after May 1, 2016 may be redeemed at the option of the District in such order of maturity as the District shall determine and within each maturity by lot on any date occurring on or after May 1, 2015. The Bonds called for redemption shall be redeemed at par plus accrued interest to the date fixed for redemption, without premium or penalty.

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Other Supplemental Information
Schedule of Bonded Indebtedness
June 30, 2008

TITLE: Durant Resolution Package Bond
School Improvement Bond, Series 1998

DATE OF ISSUE: November 24, 1998

RATE OF INTEREST: 4.761353%

ORIGINAL OBLIGATION: \$ 44,512

AMOUNT PREVIOUSLY PAID: 18,229

BALANCE OUTSTANDING - JUNE 30, 2008: \$ 26,283

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>May 15, Interest</u>	<u>May 15, Principal</u>	<u>Annual Requirements</u>
2008-09	4.761353%	\$ 649	\$ 2,477	\$ 3,126
2009-10	4.761353%	531	2,595	3,126
2010-11	4.761353%	5,622	15,380	21,002
2011-12	4.761353%	278	2,848	3,126
2012-13	4.761353%	142	2,983	3,125
		<u>\$ 7,222</u>	<u>\$ 26,283</u>	<u>\$ 33,505</u>

Call provision:

This Bond is not subject to redemption prior to maturity by the District.

POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9
Other Supplemental Information
Schedule of Bonded Indebtedness
June 30, 2008

TITLE: Purchase 2006 International School Bus

DATE OF ISSUE: November 29, 2005

RATE OF INTEREST: 4.375%

ORIGINAL OBLIGATION: \$ 59,819

AMOUNT PREVIOUSLY PAID: 23,928

BALANCE OUTSTANDING - JUNE 30, 2008: \$ 35,891

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Annual Principal</u>	<u>Annual Requirements</u>
2008-09	4.375000%	\$ 1,615	\$ 11,964	\$ 13,579
2009-10	4.375000%	1,615	11,964	13,579
2010-11	4.375000%	1,615	11,963	13,578
		<u>\$ 4,845</u>	<u>\$ 35,891</u>	<u>\$ 40,736</u>

Call provision:

This debt is not subject to redemption prior to maturity by the District.

INTERNAL CONTROL AND COMPLIANCE REPORTING



October 23, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Superintendent and Board of Education
Posen Consolidated School District No. 9
Posen, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Posen Consolidated School District No. 9 (the "School District") as of and for the year-ended June 30, 2008, which collectively comprise Posen Consolidated School District No. 9's basic financial statements and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Posen Consolidated School District No. 9's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Posen Consolidated School District No. 9's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the following deficiency constitutes a material weakness.

The School District does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to recently issued auditing standards, this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note the School District's management does possess the skill necessary to prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes and State of Michigan FID reporting is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Posen Consolidated School District No. 9's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

NO MANAGEMENT LETTER WAS ISSUED TO THE POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9 FOR THE YEAR ENDED JUNE 30, 2008.

NO DATA COLLECTION FORM IS REQUIRED TO BE ISSUED TO THE POSEN CONSOLIDATED SCHOOL DISTRICT NO. 9 FOR THE YEAR ENDED JUNE 30, 2008.